

WATERWORKS DISTRICT NO. 6
OF THE PARISH OF BEAUREGARD
BEAUREGARD PARISH POLICE JURY
STATE OF LOUISIANA

ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District No. 6
of the Parish of Beauregard
State of Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities and the major fund of the Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana, a component unit of the Beauregard Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Board of Commissioners
Waterworks District No. 6
of the Parish of Beauregard
State of Louisiana

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana as of December 31, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 17, 2014 on my consideration of the Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J. M. Windham, CPA". The signature is written in a cursive, flowing style.

DeRidder, Louisiana
June 17, 2014

BASIC FINANCIAL STATEMENTS

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Statement A

Statement of Net Position
December 31, 2013

	Business-type Activities
ASSETS	
Cash and cash equivalents	\$ 76,760
Receivables:	
Ad valorem taxes	38,430
Grants	42,811
Capital assets not being depreciated	56,312
Capital assets being depreciated - net	747
Total assets	<u>\$ 215,060</u>
LIABILITIES	
Accounts payable	\$ 16
Contracts payable	42,385
Assessor's pension payable	1,375
Total liabilities	<u>\$ 43,776</u>
NET POSITION	
Net investment in capital assets	\$ 57,059
Unrestricted	114,225
Total net position	<u>\$ 171,284</u>
Total liabilities and net position	<u>\$ 215,060</u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Statement B

Statement of Activities
For the Year Ended December 31, 2013

		<u>Program Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
Program Activities	<u>Expenses</u>	<u>Capital Grants and Contributions</u>	<u>Business-type Activities</u>
Business-type activities:			
Water system	<u>\$ 546</u>	<u>\$ 42,811</u>	<u>\$ 42,265</u>
General revenues:			
Ad valorem tax receipts			\$ 38,645
Ad valorem tax - pension expense			<u>(1,375)</u>
Total general revenues			<u>\$ 37,270</u>
Change in net position			<u>\$ 79,535</u>
Net position at beginning of year			<u>91,749</u>
Net position at end of year			<u><u>\$ 171,284</u></u>

The accompanying notes are an integral part of the statement.

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Statement C

Statement of Net Position
Proprietary Fund
December 31, 2013

	<u>Business-type Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 76,760
Receivables:	
Ad valorem taxes	38,430
Grants	42,811
Total current assets	<u>\$ 158,001</u>
Noncurrent Assets	
Capital assets not being depreciated	\$ 56,312
Capital assets being depreciated - net	747
Total noncurrent assets	<u>\$ 57,059</u>
Total assets	<u><u>\$ 215,060</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 16
Contracts payable	42,385
Assessor's pension payable	1,375
Total current liabilities	<u>\$ 43,776</u>
NET POSITION	
Net investment in capital assets	\$ 57,059
Unrestricted	114,225
Total net position	<u>\$ 171,284</u>
Total liabilities and net position	<u><u>\$ 215,060</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Statement D

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Fund <u>Water and Sewer</u>
Operating revenues	
Charges for services	<u>\$ -</u>
Operating expenses	
Supplies	\$ 45
Contractual services	202
Depreciation	299
Total operating expenses	<u>\$ 546</u>
Income (loss) from operations	<u>\$ (546)</u>
Nonoperating revenues (expenses)	
Ad valorem taxes	\$ 38,645
Ad valorem taxes - pension expense	(1,375)
Total nonoperating revenue (expenses)	<u>\$ 37,270</u>
Income (loss) before capital contributions	\$ 36,724
Capital contributions	<u>42,811</u>
Change in net position	\$ 79,535
Net position at beginning of year	<u>91,749</u>
Net position at end of year	<u><u>\$ 171,284</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Fund
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash payments to suppliers for goods and services	\$ (231)
Net cash used by operating activities	<u>\$ (231)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (426)
Net cash used for capital and related financing activities	<u>\$ (426)</u>
Cash flows from non-capital and related financing activities:	
Ad valorem tax collections	\$ 39,254
Pension paid on ad valorem taxes	<u>(1,415)</u>
Net cash provided by non-capital and related financing activities	<u>\$ 37,839</u>
Net increase (decrease) in cash and cash investments	\$ 37,182
Cash and cash equivalents, beginning	<u>39,578</u>
Cash and cash equivalents, ending	<u>\$ 76,760</u>
	(Continued)

The accompanying notes are an integral part of this statement.

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds
	<u>Water and Sewer</u>
Reconciliation of loss from operations to net cash used by operating activities:	
Loss from operations	<u>\$ (546)</u>
Adjustments to reconcile loss from operations to net cash used by operating activities:	
Depreciation	\$ 299
Change in assets and liabilities:	
Increase in accounts payable	16
Net cash used by operating activities	<u>\$ (231)</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

INTRODUCTION

Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana was created by the Beauregard Parish Police Jury under Louisiana Revised Statute 33:3811. The purpose of the water district is to provide water service to rural residents of the district. The governing body is composed of five board members appointed by the Beauregard Parish Police Jury which are not compensated for their services.

The district is located in southwestern Beauregard Parish in the southwestern region of the State of Louisiana. The district is in the process of laying waterlines in order to provide water service to rural residents.

The accounting and reporting policies of Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana is considered a component unit of the Beauregard Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana. Business-type activities, which rely to a significant extent on fees and charges for support are the only activities reported in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana reports the following proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water services to residents comprise the operating revenue of the district's enterprise fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Deposits and Investments

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. The district is exposed to custodial risk (bank balances not covered by depository insurance) but has no policy addressing this risk.

D. Receivables and Payables

A customer deposit fee will be collected at the time a customer's account is established. Due to the policy of the district concerning delinquent accounts, this fee covers the majority of the delinquent accounts, and any allowance account would be immaterial, therefore one has not been established.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The district maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred during the year was \$0. Of this amount none was included as part of the cost of capital assets under construction in connection with the district's construction projects.

All capital assets, other than land and work in progress, are depreciated using the straight-line method over the following useful lives:

	<u>Estimated Lives</u>
Distribution system	40-50 years
Buildings and building improvements	40-50 years
Furniture and fixtures	5-15 years
Equipment	3-15 years

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

F. Compensated Absences

The district has the following policy relating to annual leave:

The district has no formal leave policy and does not provide for the accumulation and vesting of unused leave.

G. Long Term Obligations

In the government wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. As of December 31, 2013 the district had no long-term obligations.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Restricted Net Position

For government-wide statements of net position, net position is reported as restricted when constraints placed on net position are either:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
2. imposed by law through constitutional provisions or enabling legislation.

K. Receivables and Payables

The district levies taxes on real and business personal property located within the boundaries of the district. Property taxes are levied by the district on property values assessed by the Beauregard Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Beauregard Parish Sheriff and Ex-Officio Tax Collector bills and collects property taxes for the district. Collections are remitted to the district monthly. The district recognizes property tax revenues when levied.

Property Tax Calendar	
Assessment date	January 1, 2013
Levy date	June 30, 2013
Tax bills mailed	October 15, 2013
Total taxes are due	December 31, 2013
Penalties & interest due	January 31, 2014
Lien date	January 31, 2014
Tax sale	May 15, 2014

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Continued)

Property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established.

For the year ended December 31, 2013, taxes of 15.48 mills were levied on property with an assessed valuation totaling \$4,039,315 and were dedicated as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Taxes due for:			
General Maintenance	15.48	15.48	12/31/2019

The following are principal taxpayers and related property tax revenue for the district:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for District</u>
Texas Petroleum Investment Co.	Oil & Gas	\$ 481,020	11.91%	\$ 7,446
Trinity Minerals, Inc.	Oil & Gas	265,764	6.58%	4,144
Totals		<u>\$ 746,784</u>	<u>18.49%</u>	<u>\$ 11,590</u>

2. CASH AND CASH EQUIVALENTS

At December 31, 2013, the district has cash (book balances) totaling \$76,760 as follows:

Interest bearing demand deposits	<u>\$ 76,760</u>
Total	<u>\$ 76,760</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2013, the district has \$76,760 in deposits (collected bank balances). These deposits are secured from risk by \$76,760 of federal deposit insurance.

3. RECEIVABLES

The receivables of \$81,241 at December 31, 2013, are as follows:

<u>Class of receivable</u>	<u>Proprietary Fund</u>
Customer accounts	\$ 42,811
Ad valorem taxes - maintenance	38,430
Total	<u>\$ 81,241</u>

Waterworks District No. 6 of the Parish of Beauregard
State of Louisiana

Notes to the Financial Statements (Concluded)

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2013, for the primary government is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 13,501	\$ -	\$ -	\$ 13,501
Work in progress	-	42,811	-	42,811
Total capital assets, not being depreciated	<u>13,501</u>	<u>42,811</u>	<u>-</u>	<u>56,312</u>
Capital assets being depreciated				
Machinery and equipment	1,496	-	-	1,496
Total capital assets being depreciated	<u>1,496</u>	<u>-</u>	<u>-</u>	<u>1,496</u>
Less accumulated depreciation for:				
Machinery and equipment	450	299	-	749
Total accumulated depreciation	<u>450</u>	<u>299</u>	<u>-</u>	<u>749</u>
Total business-type assets being depreciated, net	<u>\$ 1,046</u>	<u>\$ (299)</u>	<u>\$ -</u>	<u>\$ 747</u>

5. ACCOUNTS AND OTHER PAYABLES

The payables of \$43,776 at December 31, 2013, are as follows:

	Proprietary Fund
Accounts	\$ 16
Contracts	42,385
Pension - ad valorem tax	1,375
Total	<u>\$ 43,776</u>

6. CONSTRUCTION COMMITMENTS

Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana has active construction projects as of December 31, 2013. At year end the commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Water District Project Distribution System	\$ 42,811	\$ 20,189

OTHER REPORTS

Schedule of Current Year Audit Findings
Year Ended December 31, 2013

There are no current audit findings reported as of December 31, 2013.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Waterworks District No.6
of the Parish of Beauregard
State of Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the major fund of Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana's basic financial statements, and have issued my report thereon dated June 17, 2014.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 6 of the Parish of Beauregard, State of Louisiana's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "John A. Windham, CPA". The signature is written in a cursive, flowing style.

DeRidder, Louisiana
June 17, 2014